

Authorized by: SKDate: 4/25/13

UNITED STATES GOVERNMENT

memorandum
COPY

DATE: December 8, 1983

REPLY TO
ATTN OF:

Mining Engineer, Div. of Energy & Mineral Resources, Golden CO

SUBJECT:

MMS Reclamation Cost Estimate for the Jackpile - Paguate Uranium Mine;
Pueblo of Laguna

TO:

Area Director, Albuquerque Area Office

In calculating the amount of bond required for reclamation of the Jackpile - Paguate Uranium Mine, Minerals Management Service (MMS) has recently estimated the reclamation cost at a high of \$70.08 million or a low of \$51.21 million if the EIS Task Force alternative is implemented.

The purpose of this memorandum is to examine the meaning of above cost estimates when compared with Anaconda's cash payment offer of \$40.9 million as discussed in our memorandum of October 11, 1983. In this analysis we have accepted basically the same standard assumptions as in our October review.

1. One year (year zero) is to complete the EIS and to prepare to start reclamation work in year 1.

2. Reclamation expenses are paid at the end of each project year.

3. ~~Interest rate on the unexpended amount of the cash payment = 11% per year.~~

4. Escalation of reclamation cost = 6% per year.

5. Project life = 8 years (unless stated otherwise).

Case I - Equal annual spending rates.

Interest earned on different cash payments and corresponding reclamation costs, if the Pueblo received no net interest benefits (NIB=0) after 8 years, are shown in Table 1. The relation between the cash payment values and unescalated reclamation costs may be expressed as a straight line. (see Figure 1.)

Anaconda's offer of \$40.9 million is the discounted value of their reclamation cost estimate to be paid over a period of 3 years at an interest of 11.3%. For a reclamation cost of \$70.08 million a cash payment of \$51.9 million is required which equals an undiscounted value of \$57.21 million using Anaconda's 3 year pay-off term and 11.3% interest rate.

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